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Extra

**U.S. Grant Support Of International
Planned Parenthood Federation
Needs Better Oversight**

B-173240

Agency for International Development

**UNITED STATES
GENERAL ACCOUNTING OFFICE**

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SEPT. 14, 1973



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

INTERNATIONAL DIVISION

B-173240

The Honorable John A Hannah
Administrator, Agency for
International Development

Dear Dr. Hannah

This report highlights the results of our review of U S. C1782
grant support of the International Planned Parenthood Federation,
(IPPF), as administered by the Agency for International Develop-
ment

We perceive the Agency's grant arrangement with IPPF as a realistic attempt to insure the effective use of U.S. population assistance funds and to enlarge the scope of the program. We believe that the grantee is qualified to sponsor the inception and improvement of indigenous family planning programs and is of value to the Agency in carrying out its congressional mandate on population control

We concluded that the Agency and IPPF need to provide greater assurances that the purposes of the grant are being achieved. Therefore we are recommending that you provide for a program of increased assistance and advice to the grantee for working out a specific, phased plan for more effective and timely implementation of management controls.

We are also recommending that you improve the review and evaluation of IPPF operations by making a more complete review of IPPF's management system to provide greater assurance that grant objectives are being met. We believe that the Agency's evaluation capability should also be improved by obtaining appraisals of national associations' programs, where feasible, from a larger number of Embassies and Missions. In this connection, we recommend that the field appraisals be more directly related to subgrantee programs shown in the "Report to Donors."

B-173240

We are sending copies of this report to the Director, Office of Management and Budget, the Secretary of State, and the Chairmen of the Senate Committee on Government Operations, the Senate Committee on Appropriations, the House Committee on Government Operations and its Foreign Operations and Government Information Subcommittee, and the House Committee on Appropriations.

We wish to acknowledge the cooperation extended to our representatives during the review

Sincerely yours,

A handwritten signature in dark ink, appearing to read "J. K. Fasick". The signature is fluid and cursive, with a large initial "J" and "K" that are connected to the rest of the name.

J K Fasick
Director

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ABBREVIATIONS

AID	Agency for International Development
GAO	General Accounting Office
IPPF	International Planned Parenthood Federation

*GENERAL ACCOUNTING OFFICE
REPORT TO THE ADMINISTRATOR
AGENCY FOR INTERNATIONAL
DEVELOPMENT*

U S GRANT SUPPORT OF
INTERNATIONAL PLANNED PARENTHOOD
FEDERATION NEEDS BETTER OVERSIGHT
Agency for International
Development
B-173240

D I G E S T

WHY THE REVIEW WAS MADE

The Agency for International Development (AID) is now providing about \$10 million annually as grant budgetary support for private family planning activities carried out by the International Planned Parenthood Federation (IPPF).

GAO reviewed the system of management controls surrounding the grant because IPPF was one of the larger recipients of AID grants for population growth control activities.

FINDINGS AND CONCLUSIONS

AID does not participate in IPPF's programing, nor does it audit activities of IPPF's family planning associations. Instead, AID evaluates performance on the basis of annual reports, audits at IPPF's central office in London, and other internal AID information (See ch. 1.)

Grant management relationships changed in April 1971 from specific IPPF projects, reviewed and approved by AID, to general budgetary support of IPPF's overall program

IPPF resisted any grant provisions which were too burdensome or which infringed on its independence (See ch. 2)

IPPF's income has grown substantially, from about \$900,000 in 1965 to over \$19 million in 1971. Rapid growth has contributed to a number

of organizational and operational problems (See ch. 3)

AID's limited grant review and monitoring and its strong reliance on the management control system of IPPF's central office in London provides minimal control upon the use of funds

Affecting this arrangement are AID's view on the competency of IPPF and AID's acceptance of IPPF's view that effective rapport with less developed countries depends upon full IPPF autonomy (See ch 4.)

At IPPF's central office, GAO noted several problems bearing on IPPF's ability to implement effective programs and to reasonably assure donors of program effectiveness. Management review and control over family planning activities by family planning associations is uneven and weak

IPPF is making improvements in personnel practices, programing, auditing, and reporting. The Secretary General has indicated that management reforms will take several years (See ch. 5)

GAO perceives the grant arrangement as a realistic attempt to insure effective use of U S population assistance funds and to enlarge the scope of the program

IPPF is qualified to sponsor the inception and improvement of indigenous family planning programs and is of

value to AID in carrying out its congressional mandate on population assistance

GAO noted that officials of both AID and IPPF were keenly aware of the need for adequate accountability controls when public programs and funding were entrusted to a private, decentralized organization.

Nevertheless, shortcomings in IPPF's capability to direct and monitor programs convinced GAO that AID and IPPF needed to provide greater assurance that purposes of the AID grant were being achieved in an efficient and economical manner. IPPF's annual "Report to Donors" and audits at its central office could be improved to enhance AID's management process (See ch 6)

RECOMMENDATIONS

GAO recommends that the Administrator, AID, provide increased assistance and advice to the IPPF central and regional offices, as necessary, for working out a specific, phased plan for

--timely submission of accurate and

reliable reports and data from national associations,

--more field reviews, inspections, and reports by IPPF central and regional offices,

--improvements in the extent and quality of independent audits of associations' programs and management, and

--more effective evaluation and reporting by IPPF's central office to AID

GAO also recommends that the Administrator, AID, improve the review and evaluation of IPPF operations by making a more complete review of IPPF's management system to provide greater assurance that grant objectives are being met. GAO believes that AID's evaluation capability should also be improved by obtaining appraisals of national associations' programs, where feasible, from a larger number of Embassies and Missions. In this connection, GAO recommends that the field appraisals be more directly related to subgrantee programs shown in the "Report to Donors "

CHAPTER 1

INTRODUCTION

The Congress expressed its belief, in enacting title X into the Foreign Assistance Act in 1967, that voluntary family planning programs can make substantial social and economic contributions in developing countries. Stressing that such programs should be voluntary, the Congress authorized the President to support a broad range of programs related to population growth, including research, training, construction of clinics, and provision of medical assistance and supplies. Such assistance can be given to foreign governments or to a variety of United States, international, and foreign organizations.

From 1965 through 1972, the Agency for International Development (AID) obligated about \$386 million for population programs, of which about 46 percent was for direct support of country and regional projects. The remaining 54 percent was programed centrally, principally within AID's Office of Population. Much of these latter funds reached developing nations through international organizations, including the United Nations Fund for Population Activities, International Planned Parenthood Federation (IPPF), Population Council, and Pathfinder Fund.

IPPF receives one of the larger AID grants for population activities. From fiscal year 1968 to April 2, 1971, AID had two grant agreements with IPPF (AID/csd-1837, the so-called worldwide grant to IPPF's central office in London, and LA-523, the grant of AID's Latin American Bureau to IPPF's Western Hemisphere regional office in New York for support of family planning organizations and programs in Latin America). These two grants were merged on April 2, 1971, by amendment No. 10 to the worldwide grant. Amounts obligated by AID for family planning grants to IPPF follow

<u>Fiscal year</u>	<u>AID/csd-1837</u>	<u>LA-523</u>	<u>Total</u>
	<u> (000 omitted) </u>		
1965-67	\$ -	\$ -	\$ 478
1968	3,500	500	4,000
1969	4,000	1,964	5,964
1970	5,550	1,750	7,300
1971	3,000	2,000	5,000
1972	<u>8,000</u>	<u>-</u>	<u>8,000</u>
	<u>\$24,050</u>	<u>\$6,214</u>	<u>\$30,742</u>

AID's support of IPPF is based on the belief that the organization has a unique ability to promote family planning. This ability is a result of IPPF's private status and experience in the field. IPPF has many volunteers that influence legislation and social reforms needed to remove impediments to the promotion and practice of family planning.

According to AID, IPPF's private status gives its program more flexibility of operation and resistance to criticism than a governmental program would have. Since IPPF's family planning associations are indigenously constituted, IPPF is able to promote family planning in those countries which resist outside governmental programs.

Our principal objective was to evaluate AID's management of its grants to IPPF, which were being carried out without direct program involvement or traditional accountability controls. Our interest was in determining how AID assured itself that funds granted to IPPF achieved the purposes of the grant in an efficient and economical manner. We reviewed files and had extensive discussions with officials at AID/Washington and IPPF's central office and Western Hemisphere regional office. We did not visit any of the IPPF national family planning associations. Our review of their activities was limited to the information available at AID and the IPPF London and New York offices. Our fieldwork was carried out in the fall of 1972.

CHAPTER 2

AID-IPPF GRANT RELATIONSHIP

The grant management relationship changed in April 1971 from AID support of specific IPPF projects to general budgetary support of IPPF's overall program. With that change, as described below, came a relaxation of AID's direct review and approval of IPPF activities.

During the 1967 negotiations of the first worldwide grant, IPPF proposed, and AID agreed, that AID support should not exceed 40 percent of the total program so that IPPF could maintain its independence. This rule has been generally followed since then but has never been formalized in the grant agreement. According to AID, its annual contributions have ranged from 35 to 40 percent of IPPF's worldwide program. AID has indicated that it would like its future contribution to be only 25 percent of the total.

PROJECT SUPPORT

During the period before April 1971, when AID had two grant agreements with IPPF, AID specifically reviewed and approved the country programs and projects proposed by IPPF. AID believed that this approach would avoid questions of AID responsibility for IPPF operations which might cause embarrassment or inhibit family planning programs.

Throughout this period, AID and IPPF wrestled with the problem of management controls and procedures. AID attempted to establish grant provisions to meet its accountability obligations under the Foreign Assistance Act. IPPF, on the other hand, resisted provisions which were too burdensome and which infringed on its independence.

The IPPF Secretary General's refusal to sign a grant amendment cover letter during early 1969 illustrates IPPF's view.

"A strict compliance with the terms of this section would in our view impose a system of reporting and programme analysis beyond the capacity of many of our Associations and beyond the requirements of the Federation. It does not seem to me

to be reasonable or wise to insist on the imposition of a system more onerous than we ourselves consider expedient, and I believe that an attempt to do so will cause resentment, and lead to odious comparisons with the agreements based on mutual confidence which prevail between us and other donor governments."

IPPF's reply also proposed less detailed reporting on subgrants to its national family planning associations. AID then modified its cover letter along the lines suggested by IPPF.

A 1969 AID audit concluded that IPPF's management system was inadequate to insure that AID-provided funds were spent in accordance with grant agreements. AID sent a working group to IPPF's central office to work out procedures for improving IPPF's management system, and they agreed on a number of improvements. Specific agreements involving subgrantees called for improvements in reporting and an increase in field visits by IPPF personnel. AID suggested that grant agreements permit AID audits of subgrantees. IPPF vigorously opposed this suggestion because such audits would raise the issue of AID domination of IPPF and might create difficult political consequences.

At a meeting later in 1969, AID stated that it did not want to interpose itself between IPPF and its affiliated organizations but that the subgrantee audits required by IPPF should be improved to provide management, as well as financial, information. AID and IPPF then agreed that grant agreements would not provide for AID audits of subgrantees but that IPPF would develop guidelines for adequate independent audits and appropriate followup on findings.

GENERAL BUDGETARY SUPPORT

During the 1967 grant negotiations, IPPF sought general budgetary support, which would give IPPF greater programing flexibility and would produce more effective and economic results. AID denied the request and stated that general budgetary support would involve AID too closely in IPPF's operations and would undermine IPPF's independence. AID officials reasoned that general budgetary support would require monitoring of IPPF's total activities to comply with its requirements for the use of public funds.

In December 1969 IPPF officials requested that part of the AID grant be used to cover some expenses of its central office. In September 1970 AID amended the grant to permit this.

In November 1970 IPPF again requested that AID grants not be restricted to specific projects and proposals but cover general budgetary support. IPPF followed this request with an analysis of its 1971 program which showed that AID restrictions and the generally more informal "wishes" of other donors greatly reduced IPPF's budgetary flexibility.

Primarily on the basis of IPPF's request for general budgetary support and its analysis of the proposed 1971 program, AID decided early in 1971 to simplify program management arrangements with IPPF and to provide more flexibility by modifying the existing grant terms. AID concluded that IPPF's competence had grown and that substantive staff review of IPPF's activities had become less important. AID thought that general support of IPPF's activities would (1) make this important program more effective by increasing its flexibility in using AID funds, consistent with AID's responsibilities for stewardship of appropriated moneys, (2) minimize any less developed countries' inhibitions, for political or other reasons, in accepting IPPF as an international funding source for private family planning associations, and (3) free AID staff time involved in detailed IPPF subactivity reviews and approvals.

General budgetary support was arranged on April 2, 1971, by amendment No. 10 to the grant, which merged AID's worldwide and Latin American grant agreements into a single agreement for general budgetary support of all IPPF activities. The amendment reaffirmed IPPF's responsibility for overall management and administration of the grant. Other grant provisions

- specify the form and details to be included in IPPF's annual request for AID funds,
- require IPPF to submit an annual financial statement certified by an independent public accountant,
- define IPPF costs attributable to the AID grant, and

--establish general requirements for maintenance of records, U S audit and inspection rights, and refund and payment procedures

IPPF is required to maintain sufficient records at its central office to substantiate that expenditures are in accordance with its annual request. The grant agreement provides that both the Auditor General of AID and the Comptroller General of the United States have the right to audit all records at IPPF's central office. These records are to include audit reports on subgrantees' operations prepared by independent public accountants with certifications similar or equivalent to that of a certified public accountant. Subgrantee audits are supposed to cover both the propriety and necessity of expenditures and the adequacy of the subgrantee's management. The United States does not have the right to audit subgrantees and may only visit them at their request, or when arranged by IPPF. AID officials said that this limitation on U S audit rights was in line with their increased reliance on IPPF's management system.

AID grants are to be used in accordance with certain provisions of the Foreign Assistance Act. AID funds are now commingled with those of other IPPF donors, so there is no direct link between the funds provided by AID and IPPF expenditures. However, the agreement requires that a portion of IPPF's expenses, equivalent to AID's support, must comply with various procurement, shipping, country eligibility, and other requirements of the Foreign Assistance Act. In auditing IPPF, AID attempts to identify IPPF expenditures which meet these requirements. AID refers to this process of identifying grantee expenditures equivalent to or in excess of the grant amount as attribution, and it results technically in compliance with the requirements of the Foreign Assistance Act.

CHAPTER 3

DESCRIPTION OF IPPF

IPPF is a nonprofit organization of 79 national family planning associations throughout the world. The basic beliefs of IPPF are that family planning knowledge is a fundamental human right and that the world's population and resources must be balanced. To forward these beliefs, IPPF encourages the formation and development of national associations to pioneer family planning services and to persuade governments to start family planning programs. Once a government program starts, the role of the national association gradually shifts to supporting family planning activities, with special emphasis on information and education.

The specific family planning programs undertaken by national associations vary. For example, in a country which has no government family planning program, an association may devote its efforts to influencing public opinion and providing clinical services although an association in another country may emphasize educational and training activities to complement an existing government program.

IPPF's early growth was slow. Its international budget was only \$30,000 by 1961. However, it grew from about \$900,000 in 1965 to over \$19 million in 1971. This growth came about as governments began to donate more and more funds to IPPF. While enabling a corresponding expansion of the IPPF activities, this rapid growth contributed to a number of organizational and operational problems.

IPPF's Recent Income

<u>Sources</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
	<u>(actual)</u>	<u>(actual)</u>	<u>(estimated)</u>	<u>(projection)</u>
	<u>(000 omitted)</u>			
United States	\$ 5 090	\$ 6 487	\$10 000	\$11 518
Sweden	774	1 163	1 825	2 650
United Kingdom	487	780	1 560	1 440
United Nations Fund for Population Activities (note 1)	450	750	1 000	
Norway	210	775	850	1 060
Canada	500	750	750	1 750
Japan	100	496	650	750
Others	104	296	1 883	3 200
Private donations	3 142	2 933	2 705	3 025
Cash balances	<u>283</u>			
Total direct income	11 140	14 430	21 223	25 393
Other income and funds available to local associations (note 2)	<u>3,162</u>	<u>4,875</u>	<u>5,966</u>	<u>7,114</u>
Total	<u>\$14,302</u>	<u>\$19,305</u>	<u>\$27,189</u>	<u>\$32,507</u>

¹The United States contributes about 50 percent of these funds.

²Includes local AID Missions' direct support.

BASIC ORGANIZATION

IPPF has regional and international volunteer groups which determine its policies. The day-to-day operations at the regional and international levels are carried out by paid employees. This organization is illustrated below.

<u>Geographic level</u>	<u>Unpaid volunteer element</u>	<u>Paid staff element</u>
National	Family planning association boards	Family planning association staff
Regional	Regional councils	Regional secretary and regional office staff
International	Governing body Management and planning committee Standing and specialist committees	Secretary General and central office staff

IPPF's CENTRAL OFFICE

The Secretary General of IPPF, appointed by the governing body, and her staff form the central office which is responsible for administrative activities, development and interpretation of IPPF policies, IPPF expenditures, and liaison within IPPF and with other family planning and population organizations. The central office had 119 positions in 1972.

The IPPF central office receives the AID grant, as it does all direct income. It then subgrants funds to national associations, with governing body or management and planning committee approval, and provides technical assistance and advice. Estimated 1972 expenditures for the largest national association are about \$2.3 million and costs for the smallest are about \$5,000.

The regional offices of IPPF provide an operational link between the central office and national-level subgrantees. Although the regional offices are designed to be operational links, their actual capabilities range from the almost autonomous Western Hemisphere regional office to the

nearly nonexistent Indian office region, which has not had a fixed city for its operations

WESTERN HEMISPHERE REGIONAL OFFICE

IPPF's Western Hemisphere regional office in New York is incorporated to protect the tax-exempt status of donations raised for IPPF in the United States. The region has a special unpaid volunteer committee that selects and reviews family planning programs, worldwide, to which these donations can be attributed.

The region's management controls have been in effect longer and are similar to those now emerging in the central office. For example, the region has required subgrantees in Latin America to sign a conditions-of-grant agreement since 1967. The central office did not have a similar requirement until 1972. The procedure for reviewing work programs and proposed budgets is similar to that of the central office, the staff makes recommendations which are further reviewed by several committees of volunteers.

FUTURE COURSE OF IPPF

Certain long-range concerns of IPPF are important to donors, such as AID, and the solutions or reactions to these concerns could determine the type of organization IPPF will become.

The Secretary General believes that volunteer groups in the associations need to be more representative of the total national community (including minority groups) and less self-perpetuating. She believes that many of them also need a greater appreciation of the role of the professional staff in association work. In her view, the training of career staff for both public and private sector programs should assume a higher priority in the work of IPPF and corresponding intergovernmental programs.

She believes that family planning is more acceptable and more effective if it is associated not only with broader health programs but also with community development, education, and other extension programs. This approach has been approved by the governing body but requires improved communications between governmental and nongovernmental organizations at all levels.

CHAPTER 4

AID's LIMITED GRANT REVIEW AND MONITORING

IPPF's annual program proposal to AID and other donors describes activities for the preceding, current, and coming year. The first proposal, after the shift by AID to general budgetary support, was in IPPF's "Report to Donors" of September 1971. Upon approval by AID, this report became the program plan for AID's funding. The "Report to Donors" is supplemented by annual appraisals from AID's Missions and U S Embassies, audits by AID's Auditor General, and AID's internal knowledge of IPPF activities gained from continuing contacts with IPPF, and other population and/or family planning officials.

Under general budgetary support, AID examines individual elements of the program as shown in IPPF's "Report to Donors" but does not attempt to approve or disapprove specific IPPF activities. Similarly, AID does not formally monitor or audit individual projects or subgrants, these functions are left to IPPF. According to AID, this relationship

"* * * stems from AID recognition of IPPF competency and AID acceptance of the IPPF view that effective rapport with LDC's [less developed countries] depends upon full IPPF autonomy. Accordingly, the IPPF Grant places minimal limitations upon the use of AID funds, making AID a contributor, rather than a partner, to IPPF."

IPPF "REPORT TO DONORS"

This lengthy report, about 550 pages, describes IPPF-funded family planning activities throughout the world. The format and contents of the report generally conform to the provisions of amendment No. 10 to AID's grant agreement. The report discusses program activities at the central office, regional offices, and family planning associations.

AID's grant agreement calls for reporting audited expenditures for the prior year. IPPF reported "actual" expenditures based on unaudited records. It was not possible for IPPF to report audited figures because audit reports were not available for all subgrantees, and available audit

reports were not used because they lacked uniformity. We checked expenditures from available audit reports against IPPF's "Report to Donors" and found that most of the audited figures were smaller than the figures in the report. (See p 24)

Amendment No 10 states that the annual proposal will discuss progress toward program or project objectives, significant program developments anticipated during the current year, and objectives projected for the coming year. Present discussions of activities are usually general without statements of objectives or indicators of progress, therefore, we believe the annual proposal does not comply with the basic concept of the grant agreement.

AID AUDITS

AID audited IPPF activities in 1969, 1971, and 1972. As mentioned in chapter 2, the 1969 audit report was critical of IPPF's management of AID grants. The 1971 and 1972 audit reports did not note any significant weaknesses in IPPF's management system.

We noted recurring problems, such as IPPF's inability to recruit and retain key management personnel and delays in establishing uniform guidelines for subgrantee's financial, budgeting, and inventory systems. Although AID audit reports noted some of these management problems, the last two AID audits, in our opinion, did not adequately cover the management control provisions and other requirements of the grant agreement.

AID MISSION AND U.S EMBASSY REVIEW COMMENTS

Under the earlier project support grants, AID's review process included submission of individual IPPF proposals to AID Missions for review and comments. With the change to general budgetary support in April 1971, this procedure was no longer required. AID, however, has continued to request field comments of a general nature as part of its review process.

We examined the 1971 replies from the AID Missions and U.S Embassies to determine their content, geographic coverage, and general quality. Although most of the addressee

posts replied, those which did not were in countries where several large IPPF subgrantees were located. In addition, AID did not request comments from Embassies and Missions in 36 countries where IPPF planned to make 1972 subgrants.

We believe that the field responses should be useful in AID's review process, but the coverage and depth of such reports should be improved. Specifically, field comments were not directly related to subgrantee programs shown in the "Report to Donors." AID's 1972 request to the field, unlike the 1971 request, stressed that replies be unclassified. To the extent that this is possible, it should help AID to exchange information with IPPF. It was AID's view that the field reporting during 1972 was greatly improved.

CHAPTER 5

PROBLEMS IN MANAGEMENT CONTROL FUNCTIONS

OF IPPF CENTRAL OFFICE

IPPF's central office is responsible to AID for proper use of the U S donation. The following sections discuss IPPF's management system and its problems and IPPF's efforts to improve it.

INDEPENDENCE VERSUS ACCOUNTABILITY

IPPF's national family planning associations historically have insisted on independence and flexibility. As IPPF's resources and scope of activities grew, officials realized the need to improve management planning and controls. This has led to many discussions over how to strengthen IPPF's administration to meet its needs and its responsibility to donors without destroying the initiative and flexibility of member associations.

This controversy is illustrated by the following selected statements made by IPPF honorary officers to policy-making bodies:

"The rapid growth of the organization with the progressive increase of the budgets, in a high percentage, has not been paralleled with the administrative growth of the different associations."

"We wonder whether the IPPF is not in the process of being transformed from an international federation of voluntary planned parenthood associations into a grant giving body controlled by donors through a Central Office staff * * *. We feel it of the utmost importance that the autonomy of the national planned parenthood associations and the autonomy of the Regions should be recognized * * *."

"* * * we have been concerned during the past two years at the growing tendency for IPPF policies and activities to be decided by Central Office staff."

"Our constitutional experts are tackling the relationships of central, regional, and national parts of the Federation, but the administrative question is even more urgently demanding to be answered. The central office has to have adequate knowledge from which to formulate the annual budget in the light of world needs, and adequate reports on performance for it to report in turn * * * Many of our national associations are administratively weak. The volunteer committee groups are weak and unrepresentative of the whole community. The staff is small and inadequate. At this point central and regional staffs are tempted to step in and take over. This is a short-sighted solution."

"They (a regional executive committee) support, in principle, a proper administration of funds by reasonable means without having to pay, as a price, the directing of all effort to meet the demands of excessive detailed reporting * * *

"They believe that all members of IPPF are bound by a common purpose, and that purpose can never be achieved without voluntary cooperation. They expressed their concern that when Regional Councils or member associations feel that they are compelled to carry out purposes other than their own, the result would be damaging to the vigour of the voluntary spirit."

PROGRAM PLANNING PROBLEMS

IPPF associations, although autonomous, must submit budget requests and program proposals to obtain funds from IPPF. They prepare budget requests, which should include parts of their work programs, early in the year and submit them to volunteer committees and paid employees for regional review. The central office then reviews the regions' work programs and budgets and the family planning associations' budget requests, along with regional comments and recommendations.

The budget and finance committee reviews all budget requests and work programs, including the central office's. The amounts subsequently approved are generally in line with the Secretary General's recommendations. The committee's recommendations must then be approved by a larger volunteer group, either the management and planning committee or the governing body of IPPF. These groups, which have final authority, have always approved the recommended amounts without change.

Since 1971 IPPF has placed more emphasis on program planning, but a number of problems still exist.

- IPPF needs to establish formal criteria for allocating funds, either by geographic region or by program element. Without such criteria IPPF's funds might be allocated on the basis of historic budgets rather than a comparison of geographic and program priorities.
- Only about 20 subgrantees submitted work programs with their budget requests in 1971. The remaining programs shown in the "Report to Donors" were apparently prepared by the central office. Although this situation improved in 1972, the central office still did not receive many regional and national programs in time for adequate review and formulation of a unified work program. Because of this information gap, a number of budgets were approved without program details to support financial data.
- Program descriptions generally lack objectives or criteria for measuring progress. Although individual programs have varying amounts of descriptive detail on such items as number of clinics operated and number of family planning acceptors, these details are not stated in relation to program objectives.
- Finally, central office work programs have been overly ambitious. We found slippages in the completion of many projects, including the preparation of field guidelines for financial administration, supplies administration, and program evaluation, a standard work program for management accountants' field visits, and many information and education

projects The central office work program, which is shown in IPPF's "Report to Donors," should be more realistic to avoid donor misunderstandings and over-expectations.

GRANT FUND CONTROL

Approved grant funds are disbursed by IPPF to subgrantees quarterly Actual amounts disbursed may differ from those approved because of the expenditure rates and the subgrantees' cash positions The first two quarterly disbursements are somewhat automatic, the third quarterly disbursement is based on a closer examination of associations' expenditures, and the fourth quarterly disbursement is computed carefully to minimize the associations' cash accumulation

The Secretary General controls the quarterly disbursements and, with the Treasurer's concurrence, approves and funds new programs during the year. Through May 1, 1972, the Secretary General and the Treasurer authorized \$217,000 for new requests from the Secretary General's 1972 discretionary fund

The following reports are required from subgrantees

- Quarterly report of income and expenditure
- Semiannual report of actual and projected income and expenditure
- Annual activities report
- Annual independent auditor's report

These reports are part of the information used to control cash disbursements, review budgets, and monitor progress.

We reviewed all available required reports from six family planning associations and two regional offices. Quarterly reports were not available at IPPF's central office. IPPF believed that implementation of this requirement before 1973 would place undue hardships on the subgrantees, however, the two associations reviewed at the Western Hemisphere regional office had submitted the required quarterly reports

We requested from IPPF all audit reports for 1970 and 1971. About 45 percent of the subgrantees' audit reports were not available. Of those that were on hand, very few were timely.

NEED FOR PROGRAM EVALUATION

IPPF has not had a system of program evaluation. In the development of amendment No 10 to the grant agreement, AID stressed the importance of IPPF self-evaluation. The amendment contains a provision that the program reporting format, included in the "Report to Donors," will discuss progress toward program and project objectives. In addition, the grant agreement requires a statement of objectives for the budget year.

In its most recent justification of the grant, AID states that "IPPF * * * is able to institute effective evaluation of its ongoing and experimental programs." However, few, if any, family planning associations have evaluated their programs. Because the member associations are autonomous, IPPF's problem is to persuade and assist them to make these evaluations.

Both the central office and the Western Hemisphere regional office were aware of the need to evaluate the performance of ongoing family planning programs. The Secretary General said in October 1971, "The IPPF should develop its capacity to measure its programme, and that can only be achieved if there is something to measure against." A regional IPPF staff member made the point that, although IPPF associations have had some programs operating for more than 10 years, little or nothing is known about why programs have succeeded or failed.

Because AID does not review individual programs and projects, IPPF must improve its evaluative capabilities if AID is to rely on IPPF management. Realizing the need for evaluation, the Secretary General has established an evaluation department responsible directly to her. This group is small and only three of its five positions have been filled.

The work program for IPPF's evaluation department is quite ambitious. The director believes that some of the more formal results expected, such as an evaluation guide,

probably will not be completed on schedule because baseline information needs to be developed at the same time that member associations are requesting technical assistance.

CENTRAL OFFICE CONTROL SYSTEM

The central office of IPPF is responsible to AID for the proper use of U S. donations. However, committees of volunteers in IPPF set policy, exercise general supervision, and approve program funding. The central office management review and control over family planning activities carried out by individual associations is uneven and weak. The associations plan and carry out their programs in their own ways and apparently do not view the IPPF central office as a controlling or management headquarters. The central office thus cannot control an individual association's family planning activities in the way a headquarters can control its branches or a government agency can control its field offices.

This general condition results from internal restrictions on the power of the central office to forcefully implement stronger control features and overextension of the professional staff at the central office. The central office staff is fully aware of these defects. The Secretary General of IPPF said that she and her professional staff could not force abrupt changes on the regional offices and national family planning associations and that desired changes would take 2 or more years to implement.

The central office's management control and knowledge of association activities is based on information from required reports and on the knowledge of staff members as recorded in trip reports and other internal memorandums. During our review we examined these sources of information to analyze the information and its use in IPPF's program planning and implementation.

Since the appointment of the current Secretary General in February 1971, the following changes have been introduced with the approval of the policymaking bodies

- A 3-year work program
- An evaluation office
- A grant agreement which formally establishes subgrantee responsibilities

--Regional secretaries accountable to the Secretary General for program and financial matters.

--Guidelines for financial administration

In addition, there have been studies of personnel practices and volunteer-staff relationship.

Central office staffing

The central office had 119 authorized positions of which 28 were unfilled at September 1972. Shortages appeared particularly critical in the administration and operations department. The technical cooperation and liaison officer position for the Western Hemisphere, which receives over 40 percent of IPPF's total grants, has never been filled. IPPF has never had more than three management accountants at any one time. The hiring of a new management accountant in November 1972 filled only the second of four authorized positions.

The supplies administration section and finance department had large backlogs of work. We were told that records in the supplies administration section could not be updated until a clerk was hired. Understaffing also contributed to the backlog in the finance unit.

Field advisors in the information and education department are an important link with subgrantees. Although IPPF officials believed more positions were needed, at the time of our visit one of the three field advisor positions was vacant and another was filled by a part-time employee.

Many unfilled positions require specialized talents, and qualified professionals in the related family planning areas are scarce. As more and more interest and activity develops, the competition for these professionals intensifies.

Insufficient technical and management staffs visits

Field visits by IPPF's technical cooperation and liaison officers and management accountants are key elements in IPPF's management system. Their trip reports contain information on the programs and problems of subgrantees. However, in 1971 and the first three quarters of 1972, they visited only about one-fourth of the subgrantees.

Technical cooperation and liaison officers and management accountants said that more positions were needed to allow sufficient time to work with subgrantees. The number of program and financial problems requiring their attention supports this view.

Guidelines development

IPPF is developing guidelines for evaluating ongoing programs, accounting for supplies, and administering finances. At the time of our review, the first draft of a "Guide to Financial Management" had been submitted to the regions for comment. The other guides are in embryonic stages and are scheduled to be written during 1973. We feel that, to provide IPPF and its donors with better information, there should be more emphasis on developing and implementing these guidelines.

Independent audit reports

AID has not insisted on the right to audit subgrantees but since 1969 has required independent audit reports on subgrantees' operations, which are to be kept at the IPPF central office. AID's grant agreement with IPPF states that

"The purpose of the audit shall be to determine the propriety and necessity of the subgrantee's expenditures in terms of the purpose for which the funds were made available, and the adequacy of the subgrantee's management."

Because of AID reliance on subgrantee audits, we reviewed all available reports for 1970 and 1971 and found that a significant number had not been submitted to IPPF's central office before the annual "Report to Donors" was prepared. We were subsequently advised by IPPF officials that the missing audit reports had been available at field locations and that most of them were currently available at the central office.

These independent audit reports are supposed to provide opinions on both the financial transactions and the overall management. The reports available at IPPF central office were on financial audits. There were no auditors' opinions about the adequacy of subgrantee management.

We also noted

- Balance sheets and income and expenditure statements were not always presented.
- Not all reports accounted for IPPF-granted commodities, and, when commodities were reported, there was no uniform treatment.
- Some audits were not made by independent auditors.
- Some reports were expressed in local currency.
- Depreciation was not uniformly treated.
- Many audit reports were not timely received.

These problems can be attributed partially to IPPF's failure to issue audit guidelines.

The AID-IPPF grant agreement requires IPPF to report audited expenditures in nine functional categories. In some cases audit reports did not list expenditures by functions, and those which did were different from the corresponding information in the "Report to Donors" because IPPF used unaudited records to prepare the "Report to Donors." (See p. 13.)

IPPF has not placed sufficient emphasis on periodic and uniform independent audits. Many of the reports we examined were inadequate from a financial point of view, and none contained auditors' comments on adequacy of management. We feel that, without adequate independent audits of IPPF subgrantees, AID lacks one of the important management tools established in the grant agreement to help insure that U.S. funds are used efficiently and for the purposes granted.

We believe that each subgrantee should submit a timely audit report, which includes

- balance sheet,
- income and expenditure statement,
- reconciliation of net worth,

- source and application of funds statement, and
- auditors' appraisal of the subgrantee's management

After our review the central office circulated, in November 1972, an audit report format for the regional secretaries' comments. When this format is adopted, many of our objections will be resolved. However, results will not be evident until at least 1974. IPPF said it would delay the quarterly disbursement to subgrantees if the reports, including audit reports, required by the terms and conditions of grant are not forthcoming

Inaccuracies in data included
in IPPF's "Report to Donors"

We noted problems in IPPF's annual "Report to Donors." The absence of objectives and criteria limits its usefulness. Improvement depends on improvements in the planning process

We noticed that the "Report to Donors" contained inaccurate details on the costs and funding of individual country programs. It showed the funding of subgrantees' expenditures for the past year in the following format

<u>Grantee</u>	<u>IPPF grants</u>			<u>Other sources</u>	<u>Total expenditures</u>
	<u>Cash</u>	<u>Commodities</u>	<u>Total</u>		

Although AID's grant agreement calls for reporting audited expenditures, IPPF reports "actual" expenditures based on unaudited records. It was not possible to report audited figures because audit reports were not available for all subgrantees, and IPPF officials stated that available reports could not be used because they lacked uniformity. Instead, IPPF reports cash and commodity grants from IPPF records and total expenditures from annual reports submitted by subgrantees. The difference between these sources of information becomes a balancing figure, reported as "other sources" funding. Thus, if a subgrantee's annual report shows total expenditures which are less than the value of IPPF grants, "other sources" becomes a negative amount even though the subgrantees actually may have received income from other sources. On the other hand, if a subgrantee's reported expenditures are more than the value of IPPF grants, "other sources" income for the year is overstated

During our review we noted instances of both types of differences. We did not attempt to determine the total amount of distortion because not all audit reports were available. We recognize that certain differences will exist between IPPF's records and those of subgrantees, e g , foreign exchange losses or gains on IPPF cash grants. We believe, however, that these differences should be minimal and should be reconciled in the "Report to Donors" if this report is to be responsive to the needs of donors and IPPF

IPPF officials are trying to correct these weaknesses. Guidelines for the 1974 work program and budget stress the need to state objectives and quantify targets. We support this effort as essential for the management needs of both IPPF and its donors.

We learned through discussion with IPPF officials that, in addition to the management control functions we reviewed at IPPF, numerous valuable contacts are made by central office officials and influential volunteers at the national level with the professional and volunteer staffs of national family planning associations, government officials in less developed countries, and institutions engaged in family planning activities. Although such contacts undoubtedly enhance IPPF's grant management, they are basically unstructured and undocumented and cannot be evaluated in terms of their overall significance on grant management.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

AID has rightfully recognized that effective action on population problems requires a variety of instrumentalities, both public and private, taking into account special attitudes and other conditions in particular countries. AID's collaborative arrangement with IPPF, therefore, has been developed in an attempt to insure the effective use of U S population assistance funds and to enlarge the scope of program action. We perceive the collaborative arrangement and the IPPF organization to be of value to AID in carrying out its congressional mandate on population assistance. IPPF is qualified to sponsor the inception and improvement of indigenous family planning programs.

During our review of the various aspects of the AID-IPPF grant management relationships, we were particularly impressed by the fact that officials of both organizations were keenly aware of the need for adequate accountability controls when public programs and funding were entrusted to a private, decentralized organization, such as IPPF. On the AID side, the Bureau for Population and Humanitarian Assistance, the Bureau for Program and Management Services, and the Auditor General are focusing upon the implementation of improved administration through encouragement and support for strengthening IPPF's management and reporting capabilities. IPPF is very much aware of the needed strengthening and is working within the federated system toward solutions through stepped-up recruiting, training, and optimum melding of professional and volunteer roles throughout the IPPF organization.

Nevertheless, the shortcomings in IPPF's capability to direct and monitor activities at the national association level, and particularly the inadequate informational base at IPPF's central office for programs carried out at the grass roots level, convince us that AID and IPPF need to provide greater assurance that purposes of the AID grant are being achieved in an efficient and economical manner.

Given the facts that AID grants to IPPF are now in the form of general budgetary support and that end use of grant

funds by at least 79 affiliated organizations at the field level is not subject to independent audit and verification by the United States, it seems particularly important that IPPF's management controls be strengthened.

IPPF and AID officials' comments

After completion of our work at IPPF's offices in London and New York, we submitted preliminary draft chapters of this report to IPPF and we met with IPPF officials in London in December 1972 to discuss the results of our work

The Secretary General of IPPF explained that there was a growing concern in IPPF about the need to improve the management system. She and the Assistant Secretary General stated that short term reforms dealing with management improvements, such as uniform audit reports and more staff visits to national associations, would be implemented within about 2 years. They also explained other basic organizational changes that will probably take place in IPPF over a longer term, possibly 5 years or more. These include broadening the volunteer membership of national associations and the upgrading of internal training and education for professional staff

We also held interim discussions on the results of our work with AID officials in Washington and on March 30, 1973, submitted a draft of this report to appropriate AID officials for review and comment. We subsequently met with AID's Assistant Administrator, Bureau for Population and Humanitarian Assistance, and the Auditor General to discuss our findings and recommendations. As indicated above, these officials agreed that improved management controls are needed. Based on these and subsequent discussions with AID officials, we understand that preliminary actions have recently been taken to begin implementing our recommendations.

RECOMMENDATIONS

In the interest of timely implementation of improved management controls within the IPPF system, and without unduly upsetting the essentially private character and independence of IPPF, we recommend that the Administrator of AID provide for a program of increased assistance and advice to the IPPF central office and regional offices, as necessary, for the purpose of working out a specific, phased plan for

- timely submission of accurate and reliable reports and data from national associations,
- more field reviews, inspection, and reports by IPPF central and regional offices,
- improvements in the extent and quality of independent audits of associations' programs and management, and
- more effective evaluation and reporting by IPPF's central office to AID.

We also recommend that the Administrator of AID improve the review and evaluation of IPPF's operations by making a more complete review of IPPF's management system to provide greater assurance that grant objectives are being met. We believe that AID's evaluation capability should also be improved by obtaining appraisals of national associations' programs, where feasible, from a larger number of Embassies and Missions. In this connection, we recommend that the field appraisals be more directly related to subgrantee programs shown in the "Report to Donors."

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